

Message Text

LIMITED OFFICIAL USE

PAGE 01 LISBON 00596 031058Z

51
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 RSC-01 SIL-01 OPIC-03 SAM-01 AID-05 L-02

OMB-01 TRSE-00 XMB-02 CIEP-01 PM-03 NSC-05 SP-02

SS-15 DODE-00 PA-01 USIA-06 PRS-01 /081 W

----- 004250

R 030847Z FEB 75
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 1599
INFO AMCONSUL OPORTO
AMCONSUL PONTA DELGADA

LIMITED OFFICIAL USE LISBON 596

EO 11652: N/A
TAGS: EGEN, ELAB, PO
SUBJ: U.S. BUSINESS COMMUNITY CONCERNED ABOUT PORTUGAL

REFS: (A) LISBON 402, JAN 23, 1975
(B) LISBON 5266, DEC 2, 1974
(C) LISBON 5351, DEC 5, 1974

SUMMARY: RECENT EVENTS, ESPECIALLY CONTROVERSY OVER LABOR LAW (REFTEL (A)) HAVE CAUSED SERIOUS CONCERN WITHIN CERTAIN ELEMENTS OF U.S. BUSINESS COMMUNITY. ELECTRONIC ASSEMBLY SECTOR IS STILL THE MOST CONCERNED. HOWEVER, IT APPEARS THAT MOST FIRMS WILL CONTINUE OPERATIONS AT LEAST UNTIL ELECTIONS. EMBASSY WILL CONTINUE ENCOURAGE U.S. BUSINESSMEN TO CAREFULLY WEIGH ACTIONS. END SUMMARY.

1. SERIOUS CONCERN ABOUT BUSINESS CLIMATE HAS BEEN EXPRESSED RECENTLY TO AMBASSADOR AND TO OTHER EMBASSY OFFICIALS BY IMPORTANT ELEMENTS OF U.S. BUSINESS COMMUNITY. THIS HEIGHTENED CONCERN RESULTS FROM (A) PUBLIC CONTROVERSY OVER LABOR LAW AND WHAT IS SEEN BY BUSINESSMEN AS COMPLETE PCP VICTORY GAINED WITH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LISBON 00596 031058Z

SUPPORT OF AFM, (B) FEAR THAT LAW WILL LEAD TO PRODUCTION

STOPPAGES WITH IMPUNITY AND NEW WAVE OF LABOR UNREST, (C)
ENACTMENT INTERVENTION LAW 660/74 (REFTEL (B)) AND RECENT
SHERATON HOTEL PURGING OF MANAGER, (D) BELIEF THAT MINISTRY OF
LABOR IS COMMUNIST-DOMINATED AND INCAPABLE OF PROVIDING A FAIR
HEARING, AND (D) DISBURBING RUMORS ABOUT LONG-ANTICIPATED
EMERGENCY ECONOMIC PLAN.

2. THE ELECTRONIC ASSEMBLY SECTOR REMAINS THE MOST CONCERNED
AND MOST VOCAL. CAUGHT BETWEEN HIGHER WAGE BILLS AND LOWER
PRODUCTIVITY ON ONE HAND AND A SEVERELY DEPRESSED INTERNATIONAL
MARKET FOR THEIR OUTPUT ON THE OTHER, IT IS IN FINANCIAL
STRAITS. SO FAR SEVERAL FIRMS HAVE BEEN ABLE TO CONTINUE
OPERATIONS BY CUTTING DOWN ON THEIR WORK FORCE OR BY MAKING
DEALS WITH GOP FOR TAX EXEMPTIONS OR OTHER BENEFITS. A
POSSIBLE DEMAND IN THE NEAR FUTURE FOR WAGE INCREASES OF
25-35 PERCENT COULD SPELL THE END. THESE PROBLEMS ARE NOT CON-
FINED TO U.S. FIRMS; PLESSY (U.K.), PHILIPS AND GRUNDIG, FOR
EXAMPLE, ARE ALSO SUFFERING.

3. NOT ALL U.S. FIRMS HAVE SERIOUS DIFFICULTIES. SOME CONTINUE
TO OPERATE NORMALLY (GIVEN THE UNCERTAINTY) AND REMAIN PROFIT-
ABLE BUT ONLY A COUPLE ARE CONSIDERING EXPANSION OR EVEN NEW
INVESTMENT. SOME HAVE ALSO BEEN ABLE TO DEAL ON A REASONABLE
BASIS WITH THE LABOR MINISTRY. IN RESPONSE TO DISCUSSION ABOUT
U.S. PROTESTS OR PRESSURE, ONE U.S. FIRM, AN ACCOUNTING FIRM
WHICH HAS OTHERS AS CLIENTS, COUNSELED EXTREME CAUTION IN
ORDER AVOID HARMFUL REPERCUSSIONS AGAINST OTHER U.S. FIRMS
WHICH DO NOT HAVE SERIOUS PROBLEMS.

4. AT THIS MOMENT IT APPEARS THAT MOST U.S. FIRMS WILL CON-
TINUE TO OPERATE, AT LEAST UNTIL THE ELECTIONS. A MAJOR
ELECTRONIC ASSEMBLY FIRM, AUDIO MAGNETICS (800 EMPLOYEES)
IS BEGINNING NEGOTIATIONS TO REDUCE ITS WORK FORCE BY ABOUT
20 PERCENT. ANOTHER FIRM, GENERAL INSTRUMENTS, IS SERIOUSLY CON-
SIDERING SUSPENDING PLANS FOR A MAJOR INVESTMENT BECAUSE OF
TECHNICAL DIFFICULTIES WITH PREVIOUS AGREEMENT CONCLUDED WITH
GOP. THERE ARE UNSUBSTANTIATED REPORTS THAT ONE OR TWO OTHER
FIRMS FACE SERIOUS ECONOMIC DIFFICULTIES BUT NO DETAILS ARE
AVAILABLE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LISBON 00596 031058Z

5. COMMENT: UNCERTAINTY IS THE MAIN BUGABOO OF FOREIGN
BUSINESSMEN OPERATING IN PORTUGAL AT THE MOMENT. IN THE AB-
SENCE OF A CLEAR DECLARATION OF OVERALL POLICIES, THEY TEND
TO GENERALIZE ON THE BASIS ISOLATED ACTS. THIS TENDENCY IS
EXAGGERATED AMONG THE MANAGERS OF SMALLER FIRMS HAVING ONLY
LIMITED EXPERIENCE ABROAD. WE BELIEVE THAT THE LONG-AWAITED
ECONOMIC AND SOCIAL PROGRAM (REFTEL (C)) WILL SPELL OUT THE
RULES-OF-THE-GAME NEEDED TO DISPEL THIS UNCERTAINTY. AT

PRESENT, SIGNS POINT TO A MODERATE DOCUMENT THAT PRESERVES
THE PRIVATE SECTOR PRETTY MUCH INTACT.

6. EMBASSY WILL CONTINUE TO ENCOURAGE U.S. BUSINESSMEN TO
CONSIDER THEIR ACTIONS CAREFULLY.

CARLUCCI

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LABOR, LAW, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greenet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LISBON00596
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750038-0711
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750278/aaaacsu.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LISBON 402, 75 JAN 23, 75 1975
Review Action: RELEASED, APPROVED
Review Authority: greenet
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUN 2003 by CunninFX>; APPROVED <22 DEC 2003 by greenet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: U.S. BUSINESS COMMUNITY CONCERNED ABOUT PORTUGAL
TAGS: EGEN, ELAB, PO, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006